

## Agenda Item B-2

### **MARIN EMERGENCY RADIO AUTHORITY**

**DATE:** September 9, 2015  
**TO:** MERA Governing Board  
**FROM:** Maureen Cassingham, Executive Officer  
**SUBJECT:** AGENDA ITEM **B-2**: REPORT ON CREATION OF A GEN III RESERVE

Recommended Action: Provide input on creation of a Gen III Reserve for Governing Board consideration.

Background: Over the last two-plus years, MERA's Finance Committee, and Executive and Governing Boards have discussed the importance of establishing a Gen III Reserve and various ways of funding it. On December 10, 2014, the Governing Board directed the Finance Committee to develop a Gen III Reserve Plan, including continued debt service or other funding sources. Parallel with these discussions was consideration of a System Upgrade Agreement option in the Vendor RFP to permit a cost/benefit analysis of an SUA to keep the Next Gen System current.

The following are some of the key Gen III Reserve issues discussed by the Finance Committee on August 12:

- 1) The amount of the Reserve needs to be determined. For example:
  - a) Would the Reserve be intended to pay for 100% replacement costs?
  - b) Would the Reserve fund soft costs (planning, preliminary studies, design, etc.) plus a percentage of construction ?
  - c) Would the Reserve fund soft costs only up to bond financing?

All this will depend on estimates and input from DPW, Project Consultants and the Next Gen Vendor on Gen III Project costs.

- 2) Sources of funding for the Reserve need to be determined which could include: a) continuation of all or portion of current Member debt service of \$2.1M/year or b) an increase in member operating contributions to include a Gen III Reserve allocation. The Finance Committee discussed, at some length, continuation of current debt service which could be used to fund a Gen III Reserve, cover increased Next Gen O & M and/or fund the cost of a SUA.

AGENDA ITEM B-2: REPORT ON CREATION OF A GEN III RESERVE

September 9, 2015

Page 2

- 3) Timing of establishment of the Reserve needs to be determined which, if funded in whole or part by continued debt service, could commence in FY20-21 subsequent to the collection of final member debt service payments in August 2020.
- 4) Annual Governing Board review of the Gen III Reserve would be recommended in concert with Annual Operating Budget adoption, which would assure regular updates on Gen III Project costs and Reserve goals.

It was agreed that MERA's Financial Services Advisor be tasked with working with DPW in developing Gen III Reserve and increase O & M funding projections with continued debt service, in total or in part.